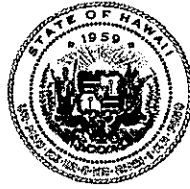


NEIL ABERCROMBIE  
GOVERNOR



**STATE OF HAWAII**  
**DEPARTMENT OF TRANSPORTATION**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

GLENN M. OKIMOTO  
INTERIM DIRECTOR

Deputy Directors  
FORD N. FUCHIGAMI  
JAN S. GOUVEIA  
RANDY GRUNE  
JADINE URASAKI

IN REPLY REFER TO:

February 1, 2012

**HB 2308**  
**RELATING TO AIRLINES**

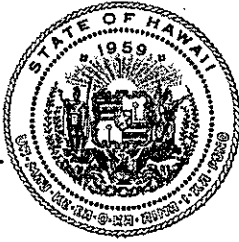
**HOUSE COMMITTEE ON TRANSPORTATION**

The Department of Transportation opposes House Bill No. 2308, which proposes to reimburse airlines for costs of adding a new direct flight route to Hawaii from an airport that does not have a direct flight route to Hawaii, and is located in an untapped visitor market.

Rather than subsidizing any new direct flights from untapped visitor markets, we support the Hawaii Tourism Authority's existing coop agreement program with the airlines which markets the new routes that they establish to make sure that the seats they are flying are occupied. If airlines add new flights from an untapped visitor market, they can enter into coop agreements to market those new routes.

Thank you for the opportunity to offer these comments.





**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**Eugene Tian**  
Acting Economic Research Administrator  
Department of Business, Economic Development, and Tourism  
before the

**House Committee on Transportation**

February 1, 2012

9:00 AM

State Capitol, Conference Room 309

in consideration of  
**HB 2308**  
**Relating to Airlines**

Chair Souki, Vice Chair Ichiyama and Members of the House Committee on Transportation.

The Department of Business, Economic Development, and Tourism (DBEDT) takes no position on this bill and defers to the Hawaii Tourism Authority (HTA). However, we would like to provide the following comments with regard to state revenue calculations related to this measure.

Latest data from the Bureau of Transportation Statistics show that the average operating expenses per available seat mile for 21 carriers in the 1st quarter of 2010 was 13.7 cents. The average number of seats per flight to Hawaii in 2011 was about 220 and the average load factor was 90.5 percent. For a flight from an airport 5,000 miles from Honolulu (about New York or Hong Kong to Honolulu) with 220 seats or 200 passengers, the total operating cost is about \$301,400 ( $0.137 \times 220 \times 5000 \times 2$ ) per round-trip. A one (1.0) percent subsidy will cost the state about \$3,014 per round-trip.

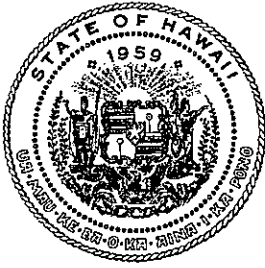
The cost will increase to \$4,521 per round-trip flight if the percentage of reimbursement is 1.5 percent.

Data from HTA indicated that the average length of stay for all the air visitors to Hawaii in 2011 was 9.55 days, and the average spending per person per day is \$183.6. For a group of 200 visitors, total visitor spending would be \$350,676 ( $200 \times 9.55 \times 183.6$ ) for the entire trip.

According to DBEDT's Input-Output Model, state taxes generated from visitor spending would be 9.9 percent. This will result in \$34,717 state taxes from this additional group of visitors assuming that substitution effects do not exist.

This implies that the maximum net gain in state tax revenue could be about \$30,196 per round-trip.

Thank you for the opportunity to offer these comments.



NEIL ABERCROMBIE  
Governor

MIKE MCCARTNEY  
President and  
Chief Executive Officer

# Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
Website: [www.hawaiitourismauthority.org](http://www.hawaiitourismauthority.org)

Telephone: (808) 973-2255  
Fax: (808) 973-2253

Testimony of  
**Mike McCartney**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**H.B. 2308**  
**Relating to Airlines**

House Committee on Transportation  
Wednesday, February 1, 2012  
9:00 a.m.  
Conference Room 309

The Hawai'i Tourism Authority (HTA) opposes H.B. 2308, which proposes to reimburse airlines for costs for adding a new direct flight route to Hawaii from an airport that does not have a direct flight route to Hawaii and is located in an untapped visitor market.

After slowing in the middle of 2011, the number of nonstop airline seats to Hawaii has increased over prior year levels. Scheduled seat capacity from Japan rose 5 percent in the fourth quarter, and demand for travel to Hawaii from Japan has returned more quickly than the continental U.S. From Other Asia, new flights have been added by Asiana Airlines, Hawaiian Airlines, Korean Air, and China Eastern Airlines. HTA projects that with increases in both scheduled and charter flights, air seats will be 3.8 percent higher during the first quarter of 2012 over the same period last year.

Rather than subsidizing any new flights, we should increase funding to our Airlift Development Program, which is a co-op program to support profitable airlift to Hawaii. Under this program, airlines apply for matching funds to attract travelers during shoulder periods, when travel is traditionally slower, in order to sustain air routes that are at risk of cancellation. Through this program, HTA helps to increase demand for travel which results in airlines providing expanded service and attracts new carriers to enter the Hawai'i market.

The intent of this bill can be accomplished by removing or raising the cap on deposits into the Tourism Special Fund to provide for more marketing funds for co-op and marketing agreements with airlines to maintain and enhance seat capacity.

Thank you for the opportunity to offer these comments.